

**Department of Energy Inspector General**  
**Audit of Memo Scheduling**  
**BPA Perspective and Response**  
January 26, 2005

- Twelve of BPA's more than 100 transmission customers hold memo scheduling rights in their long-term transmission contracts. In a report released Jan. 25, 2005, the DOE Inspector General's office audited the accuracy of transmission memo schedules to determine whether BPA was fully realizing all the potential revenues from its Transmission Business Line.
- The IG found cases in which customers overscheduled their use of nonfirm transmission, one of which was on a constrained path. The transmission schedules were within the scope of these customers' existing firm transmission capacity and thus had been paid for. The IG found underscheduling by one customer within 3 percent of its actual transmission use. This is within the degree of accuracy IG states is reasonable for an estimate.
- The IG did not find any instance in which inaccurate memo scheduling affected BPA transmission reliability, access or revenues.
- The IG recommended BPA create a system to more closely track the accuracy of customers' memo schedules and work with customers to reduce inaccuracies.
- BPA concurs and has created a manual tracking system that shows both estimated and actual use. BPA has met with memo scheduling customers to discuss ways to improve the accuracy of their memo schedules. Accuracy has improved. We are now meeting individually with each memo scheduling customer to routinize separate reporting of their estimated and actual daily transmission use.
- BPA also proposed adding a scheduling deviation penalty in its transmission rates for 2006-2007. However, BPA transmission customers did not feel this issue rose to the level of remedy through rates, and omitted this penalty from their recent transmission rate settlement.
- While BPA concurs with and is implementing the IG's recommendations on this issue, the body of the report contains unsupported speculations and proposes additional remedies that BPA believes would carry significant costs for little to no benefit. BPA's specific concerns on these points are attached.
- Most memo scheduling customers own generation that is remote from their own loads which is transmitted across BPA's system to reach their loads. They submit daily estimates – memo schedules – of the BPA transmission they need and then actual transmission use is reconciled after the fact.

Following are BPA's specific concerns about IG's characterization of this issue.

#### This is an issue of limited scope and impact

BPA believes memo scheduling is a very minor concern.

- BPA has more than 100 transmission customers.
- Of these, 12 use memo scheduling.
- Of these, the IG discussed problems with two, one of which was on a constrained path.
- Of those found, the IG found an underscheduling problem with one. (Underscheduling is the situation that could affect reliability.)
- This underscheduling, described by the IG as 27,000 MWh, amounts to about 3 percent of the schedule in question, well within the "noise" level expected of an estimate. In the next paragraph, the IG refers to scheduling within 10 percent of actual amounts as acceptably accurate.

The narrow scope of this issue is not conveyed in the IG's report.

#### The report lacks balance

Where the IG refers to memo customer overestimation of transmission use, it says that, for some customers, "schedules were overestimated by less than 10 percent" while others "consistently scheduled between 30 and 99 percent more transmission than they used. When discussing underscheduling, IG says "customers for two accounts used over 27,000 MWh more than they had scheduled." No percentage is given, and the implication is that it is a large percentage. It is, in fact, 3 percent. To be balanced, the IG should describe both sides of the equation in comparable terms.

The IG refers in some places to the number of memo scheduling accounts, and in others to the number of memo scheduling customers, which may lead to confusion about the extent of memo scheduling use and its accuracy or lack thereof. Each memo scheduling customer may have a number of memo scheduling accounts, depending on the number of generating resources they own that are remote from their loads, the transmission paths they use and the contracts they hold.

#### Overscheduling is sheltered under firm transmission rights

The report suggests BPA create mechanisms to charge customers for nonfirm transmission they schedule but do not use. In fact, two customers were involved, and the nonfirm transmission scheduled in memo schedule estimates was all within customers' firm power transmission rights. All firm power customers may shelter nonfirm transmission within their firm transmission rights up to the limits of those rights. BPA has discussed this fact with IG staff, but it was not reflected in the IG's report. For details on customers' sheltering rights, see <http://www.transmission.bpa.gov/includes/get.cfm?ID=425>

#### Underscheduling the IG found is within accuracy the IG says is reasonable

The one customer found to have underscheduled transmission use did so by 3 percent, well within a reasonable degree of accuracy for an estimate, and well within the 10 percent degree of accuracy cited as reasonable in the next paragraph of the IG's report. These facts do not support the IG's suggestion that inaccurate memo scheduling "impairs Bonneville's ability to manage its transmission system, which places it at a higher risk of incurring [reliability standard] violations" and could increase risk of curtailments.

There are risks, but, consistent with the scope of this issue, they are small. Memo scheduling has never affected system operation, nor has memo scheduling played a role in causing any reliability (OTC) violations.

#### The issue is being addressed

BPA believes simple discussion of the issue with affected customers is the most effective way to mitigate the memo scheduling problem at this time. In these discussions, BPA presents detailed facts demonstrating the significance of deviations with affected customers. This approach has succeeded, and we are already experiencing positive results from recent discussions. With the addition of a formal tracking system to help us stay aware of the problems, we expect further improvement.